

Operating Result Report for Q2 2023

Aug. 15, 2023



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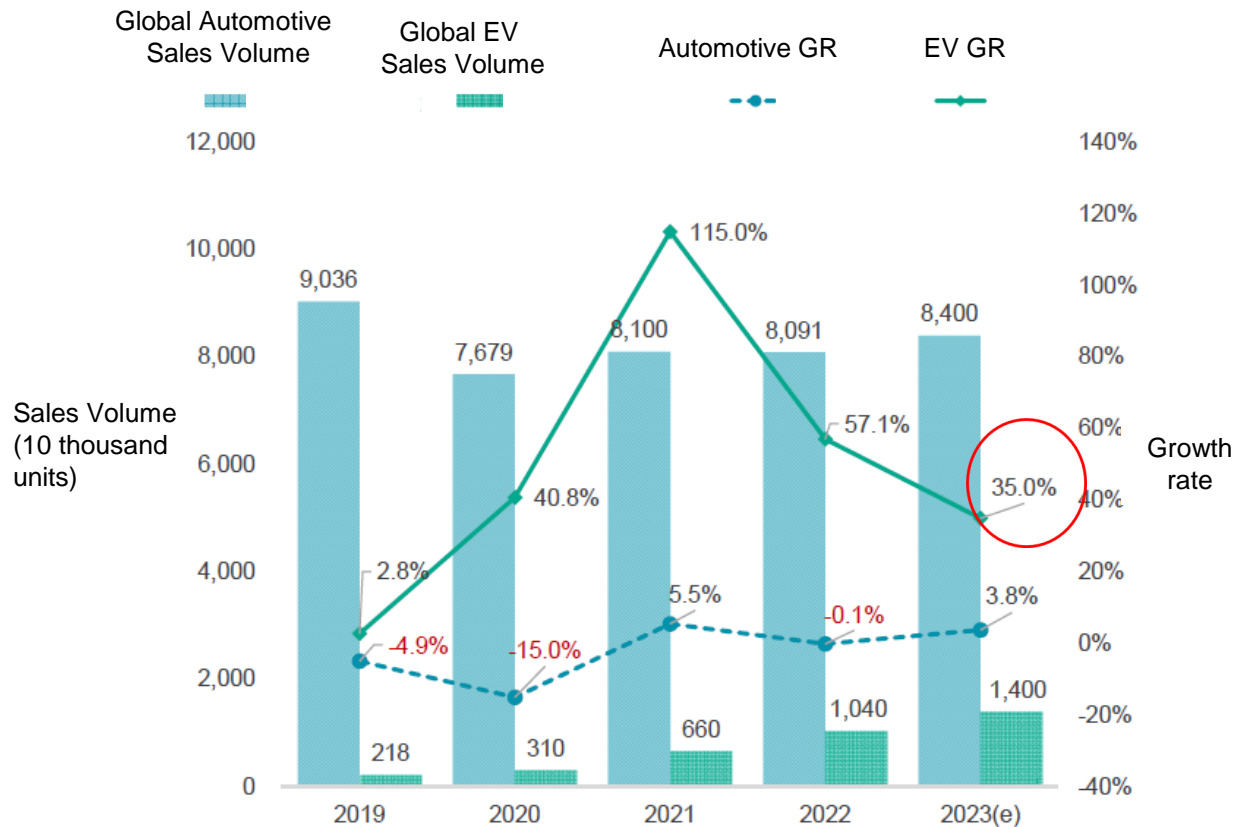
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Disclaimer

- The forward-looking statements in this report contain unknown risks and uncertainties, which may cause actual operating results to be materially different from the forward-looking statements, the statements about historical events are excluded.
- The forward-looking statements in this report reflect the company's view of the future so far, the company is not responsible for reminding or updating on any changes or adjustments in these views in the future at any time.

Market Information

Global Automotive and Electric Vehicle Growth Trends



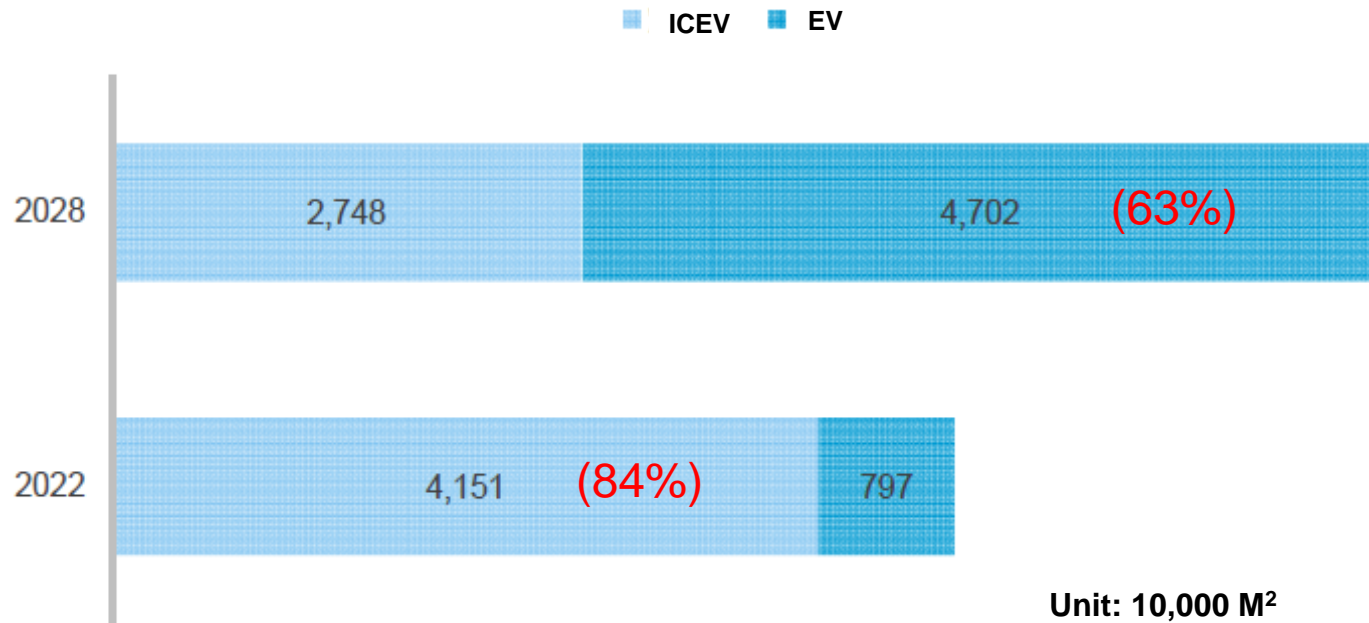
Source: LCM Automotive, IEA

Since the second half of 2021, the issues that previously led to a global automotive production standstill, such as the shortage of automotive chips and port congestion, have gradually been alleviated, and production capacity is gradually recovering each quarter. Therefore, despite the subdued consumer market amid global economic tightening, global automotive shipments have actually grown for two consecutive quarters. Additionally, driven by the global net-zero trend and strong promotion by various governments, the electric vehicle market is expanding rapidly.

The International Energy Agency (IEA) predicts that the annual global electric vehicle sales will reach 14 million units in 2023, marking a 35% increase. The estimated market share is expected to exceed 16%.

The Growth Trend of Automotive PCBs – ICEV vs. EV

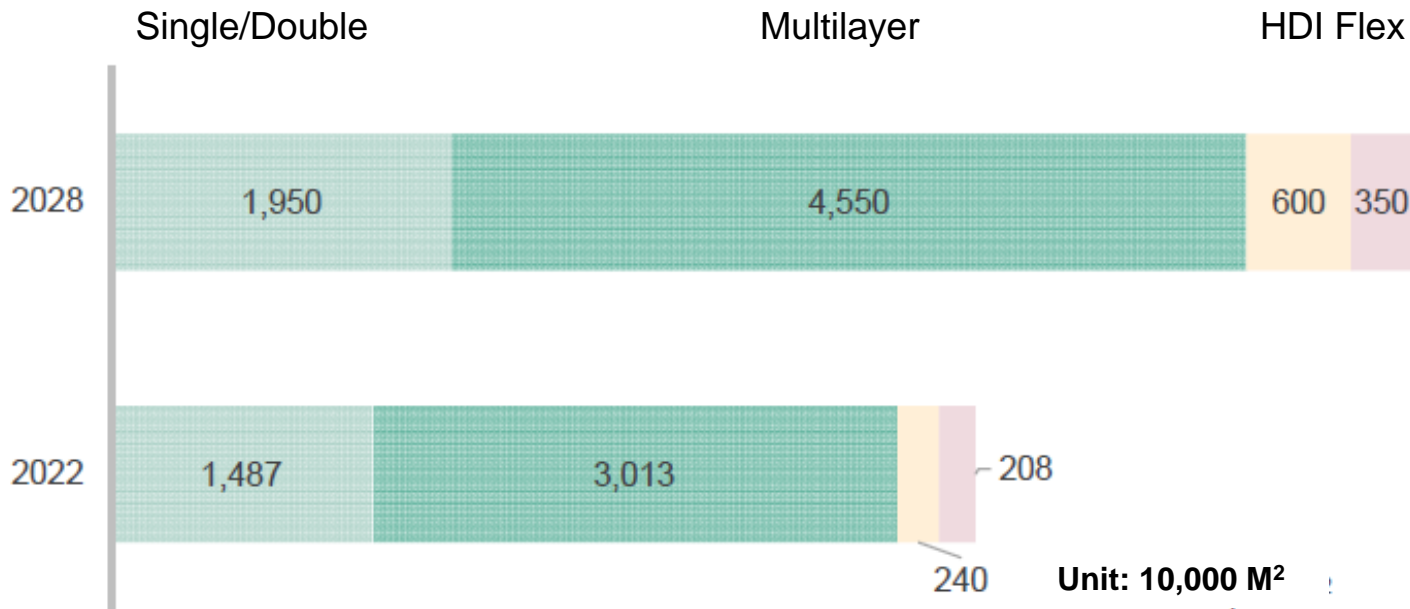
Estimation of Automotive PCB Usage



Product	Total	ICEV	EV
CAGR	7.1%	-6.6%	34.4%

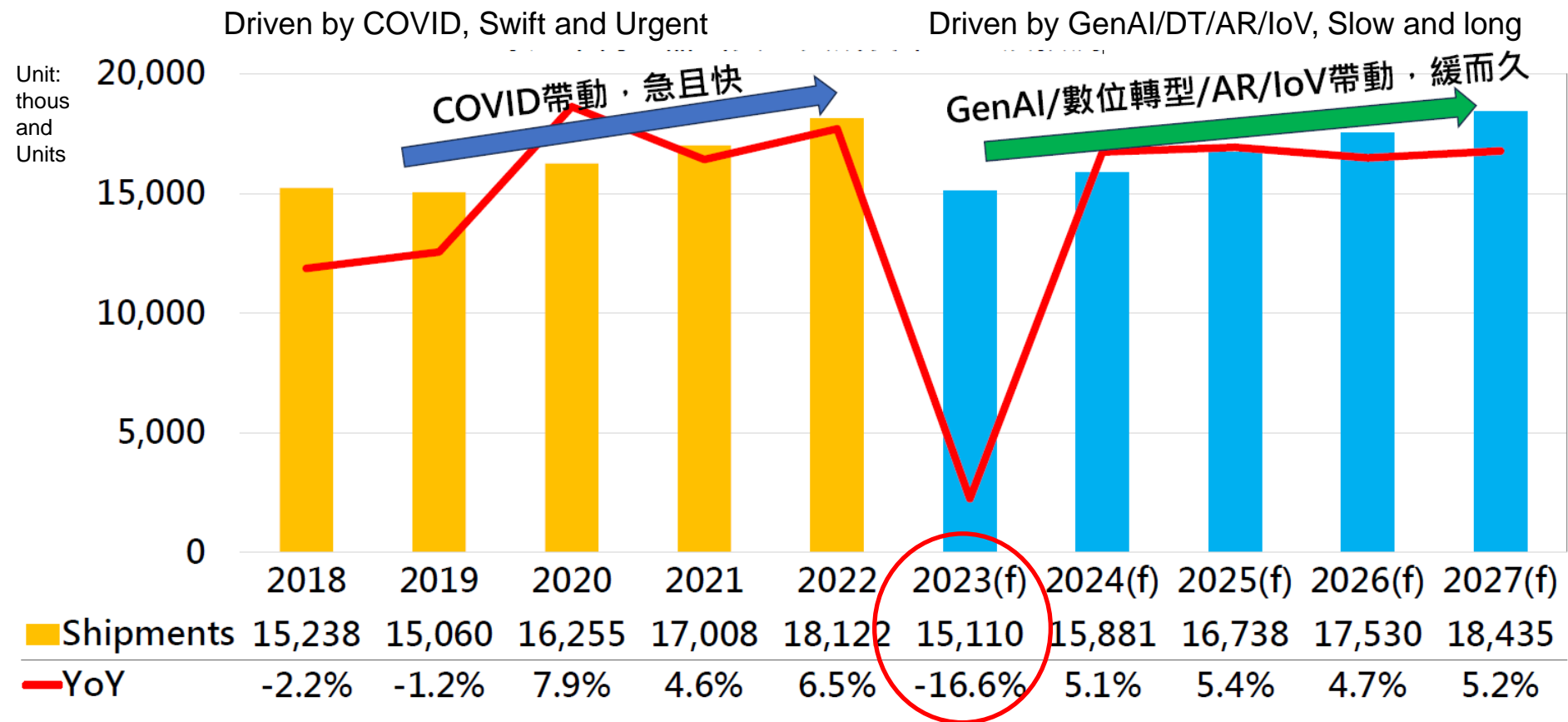
The Growth Trend of Automotive PCBs – Multilayer vs. HDI

Estimation of Automotive PCB Usage



Product	Total	Single/Double	Multilayer	HDI	Flex
CAGR	7.1%	4.6%	7.1%	16.5%	9.1%

Global Historical Server Shipmt Volume, GR Changes, and FCST

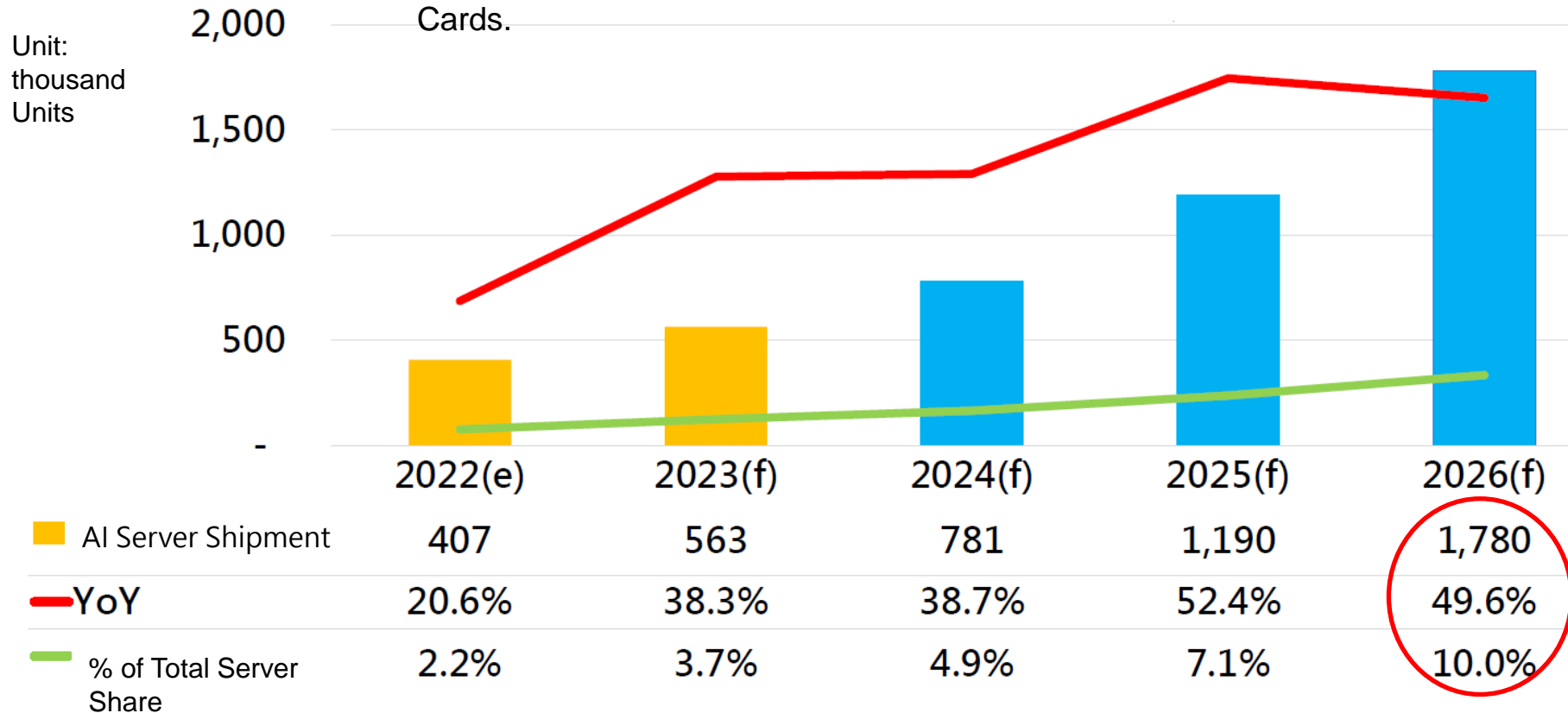


Anticipating a Substantial Decline in Global Server Shipment Volume for 2023, with a Gradual Recovery Expected in Server Shipments Beyond 2024.

Global AI Server Shipment Volume and Forecast

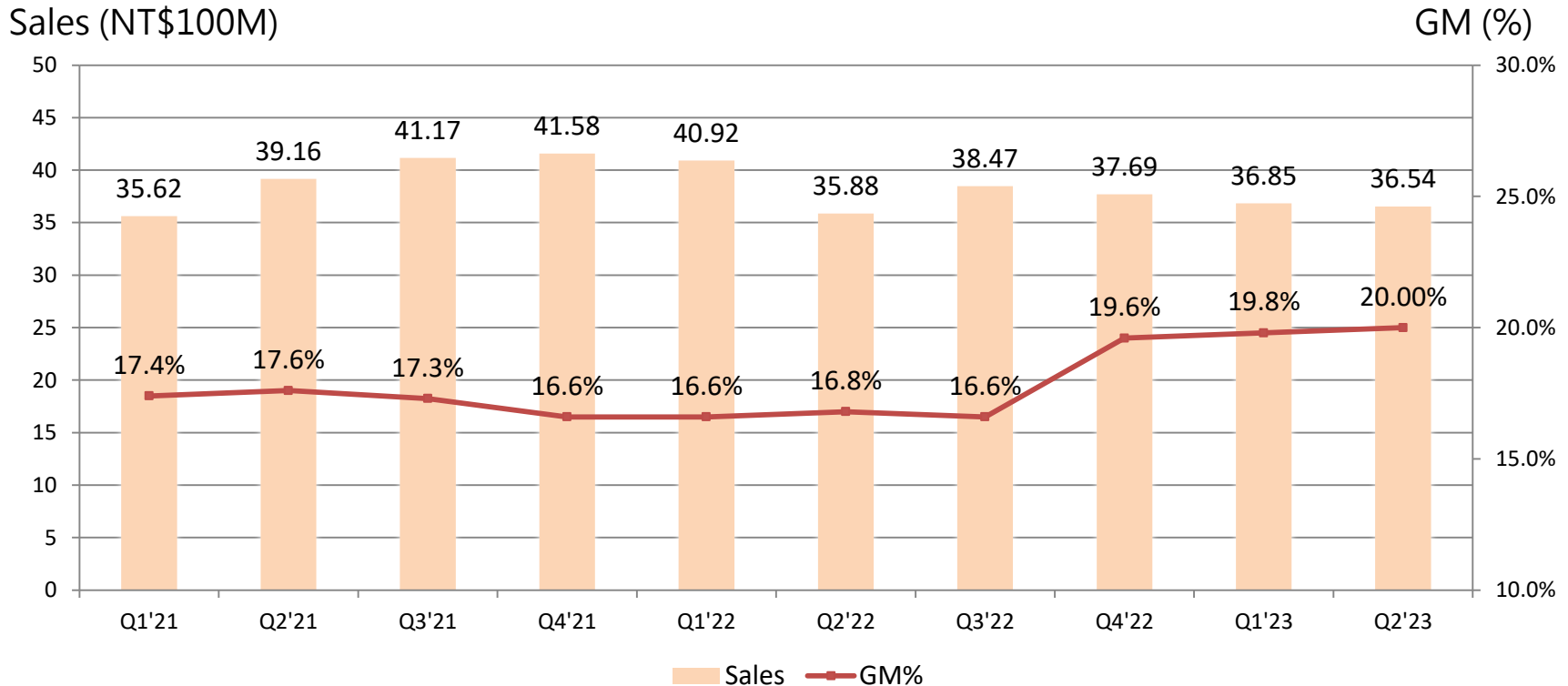
From 2022 to 2026, the CAGR of Global AI Server Shipments is Expected to Reach 44.6%.

The Anticipated Rapid Growth of AI Servers Will Drive a Synchronous Increase in Peripheral Demands, Such as Accelerator Cards and Network Cards.



Operating Overview for Q2 2023

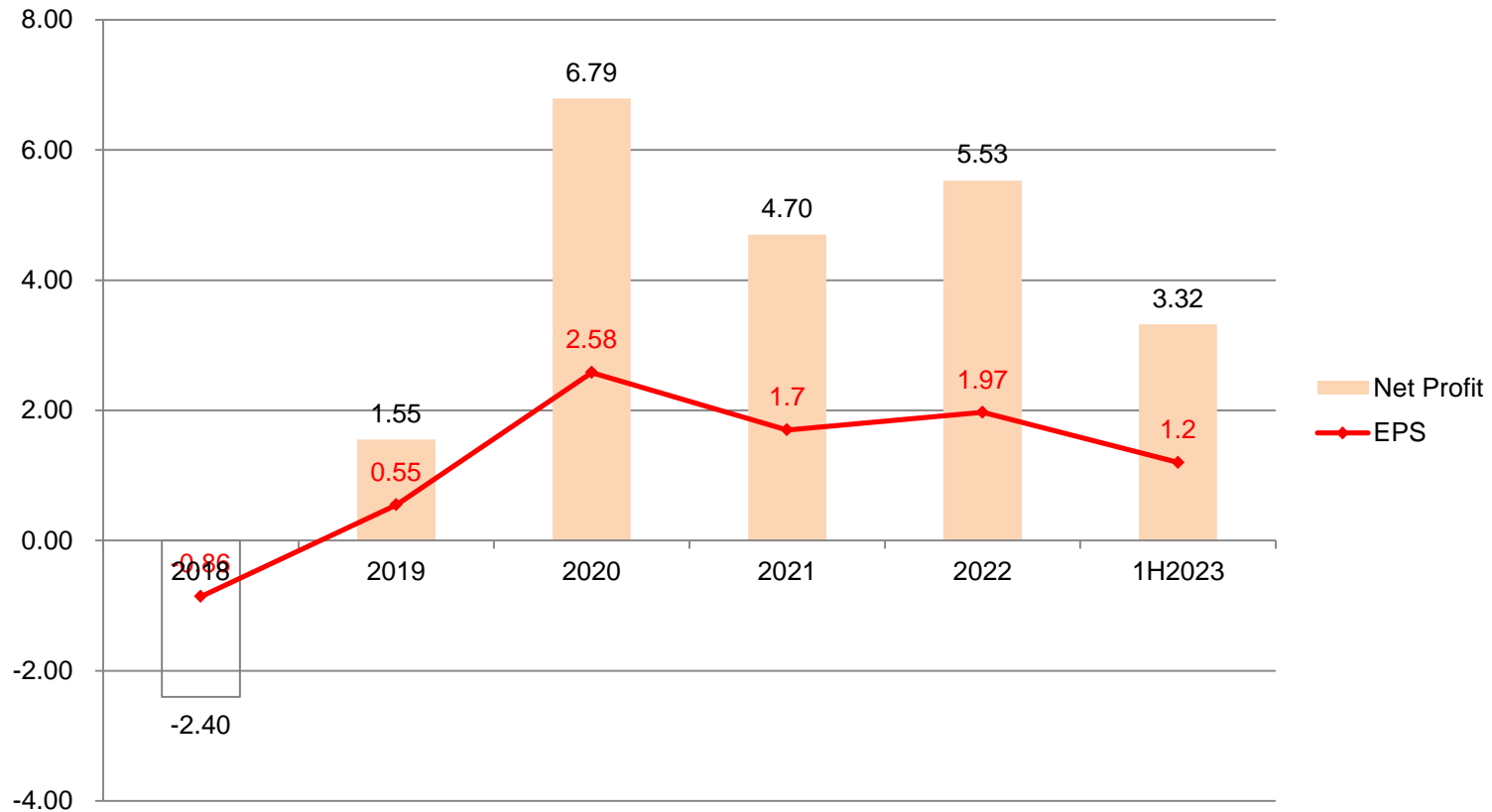
Consolidated Sales and GM Trends



- Revenue has been impacted by the global economy as a whole, experiencing a decline since 2022 Q2.
- Gross profit margin began to improve in 2022 Q4, primarily due to the optimization of product portfolios and the implementation of high-spec automation and intelligence in production at Huangshi Plant II.

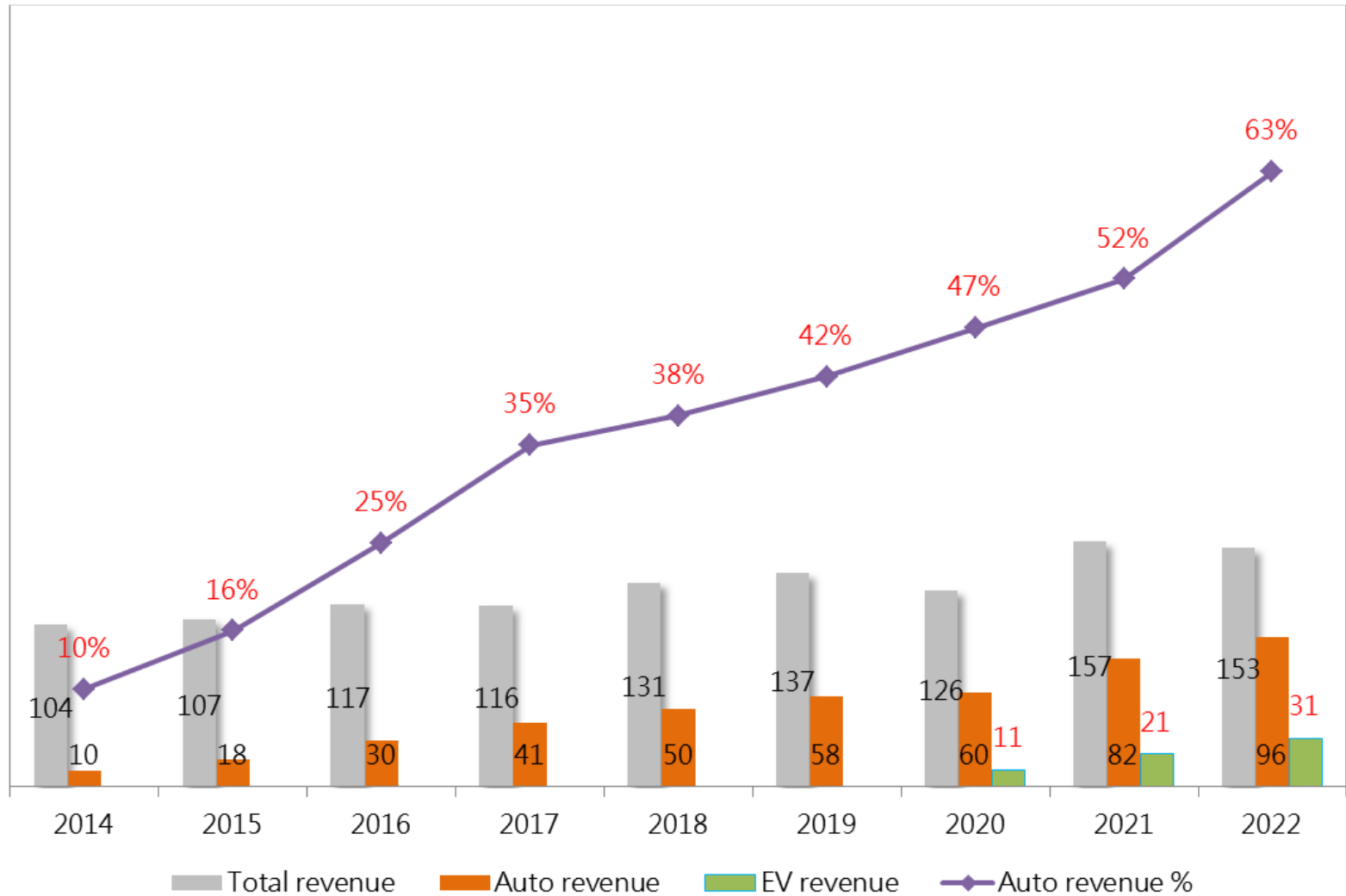
Consolidated Net Profit and EPS Trends

Net Profit (NT\$100M) ; EPS(\$)

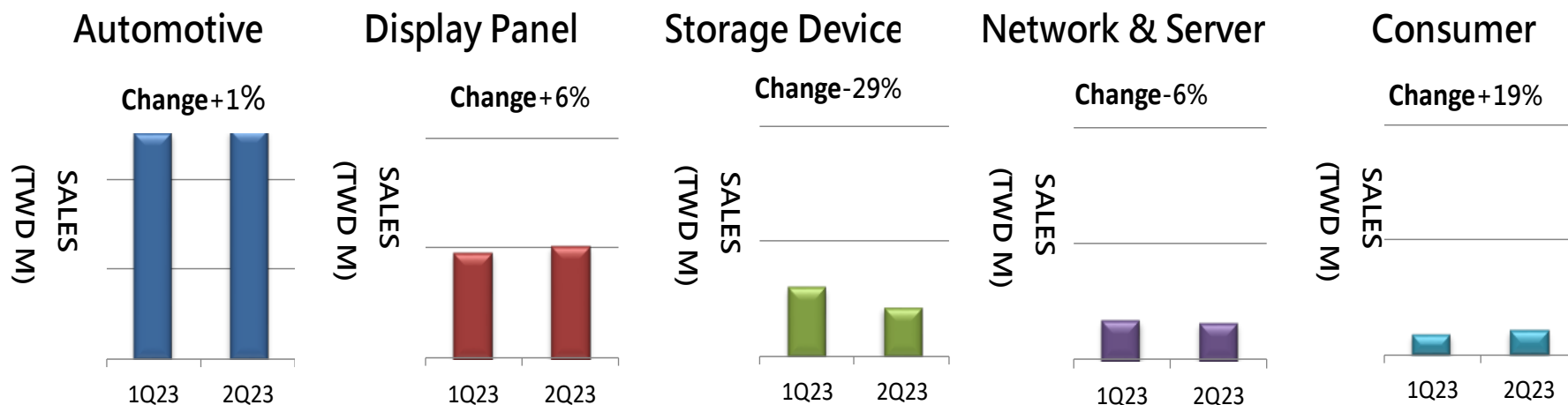
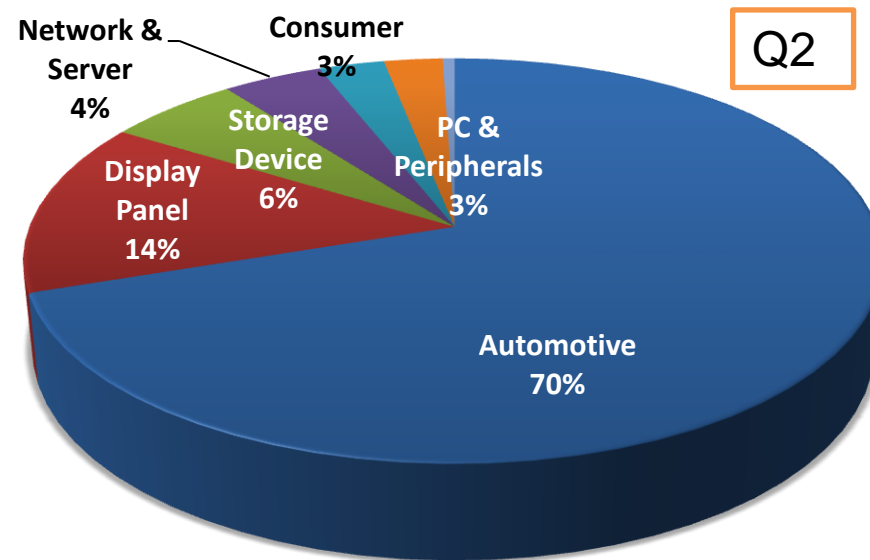
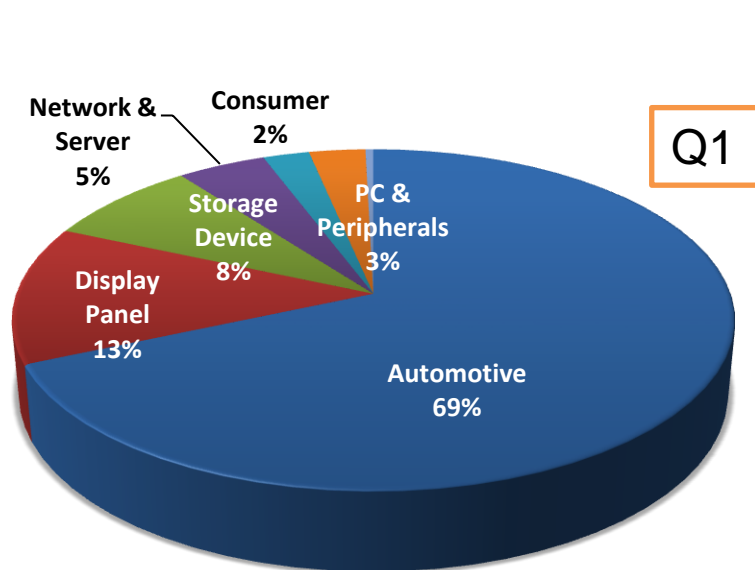


Note: The profit in 2020 is NT\$679 million, including the sale of the Taoyuan factory building of NT\$426 million, so the operational profit is NT\$253 million.

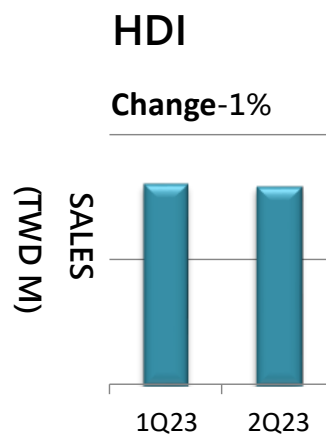
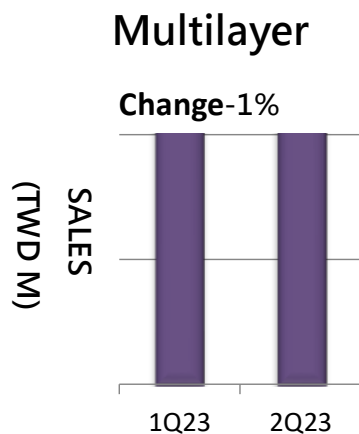
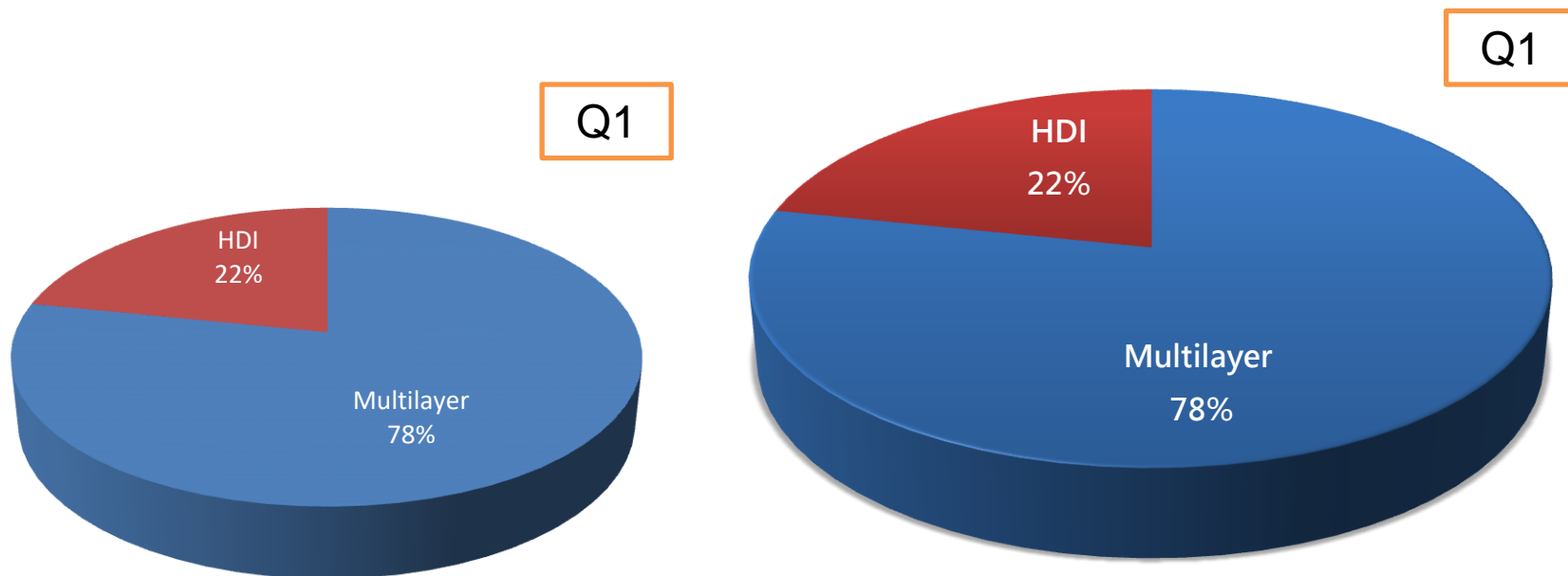
Automotive Revenue Trends



2023Q2 Sales Analysis - Product



2023Q2 Sales Analysis - Technology



Consolidated Income Statement

Accounts (TWD 100M)	2Q23	1Q23	Q-o-Q Change%	2Q22	Y-o-Y Change%	Q1-Q2 2023	Q1-Q2 2022	Y-o-Y Change%
Sales Revenue	36.54	36.85	(0.8)%	35.88	1.8 %	73.39	76.81	(4.5)%
Gross Profit %	20.0 %	19.8 %	0.1 %	16.8 %	3.1 %	19.9 %	16.7 %	3.2 % ppts
Operating expenses	5.13	5.05	1.6 %	4.45	15.4 %	10.19	8.80	15.8 %
Operating Income%	5.9 %	6.1 %	(0.2)%	4.4 %	1.5 %	6.0 %	5.2 %	0.8 % ppts
Non-operating income/expenses	1.06	(0.91)	216.3 %	0.71	48.9 %	0.15	0.48	68.8 %
Net Income (loss)	2.36	0.95	147.8 %	1.74	36.1 %	3.32	3.39	(2.1)%
Net Income (loss)%	6.5 %	2.6 %	3.9 %	4.8 %	1.6 %	4.5 %	4.4 %	0.1 % ppts
EPS(NTD)	0.85	0.34	150.0 %	0.63	34.9 %	1.20	1.22	(1.6)%
ROE (%)	15.4 %	6.3 %	9.1 %	12.0 %	3.4 %	10.8 %	11.7 %	(0.9)% ppts
Average exchange	30.55	30.40	0.5 %	28.73	6.3 %	30.55	28.73	6.3 %

* The weighted average shares to 277,548,934 of ordinary shares outstanding during the second quarter of 2023.

** The ROE is the annualized data calculated by the average equity of the parent company.

Consolidated Balance Sheet & Important Financial Indicator

Accounts (TWD 100M)	2Q23		1Q23		2Q22	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	30.49	15.0%	30.85	14.9%	25.74	13.4%
Accounts receivable	38.57	18.9%	39.98	19.3%	42.55	22.1%
Inventories	22.23	10.9%	24.10	11.6%	28.57	14.8%
Property, plant and equipment	97.24	47.7%	99.43	47.9%	74.06	38.5%
Total Assets	203.71	100.0%	207.45	100.0%	192.60	100.0%
Current liabilities	88.23	43.3%	95.58	46.1%	96.16	49.9%
Long-term loans	42.41	20.8%	39.91	19.2%	28.36	14.7%
Total liabilities	142.11	69.8%	146.90	70.8%	134.53	69.9%
Total equity	61.60	30.2%	60.55	29.2%	58.07	30.1%
Important Financial Indicator						
Average collection turnovers	105		105		107	
Average inventory turnover	82		84		89	
Current ratio (Times)	1.1		1.1		1.2	
Asset productivity(Times)	0.7		0.7		0.8	

Ps. Asset productivity= Sales Revenue/ Average total Assets.

Consolidated Statements Of Cash Flows

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Gross Profit %	20.0 %	19.8 %	0.1 %	16.8 %	3.1 %	19.9 %	16.7 %	3.2 % ppts
Operating expenses	5.13	5.05	1.6 %	4.45	15.4 %	10.19	8.80	15.8 %
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Non-operating income/expenses	1.06	(0.91)	216.3 %	0.71	48.9 %	0.15	0.48	68.8 %
Net Income (loss)	2.36	0.95	147.8 %	1.74	36.1 %	3.32	3.39	(2.1)%
Net Income (loss)%	6.5 %	2.6 %	3.9 %	4.8 %	1.6 %	4.5 %	4.4 %	0.1 % ppts
EPS(NTD)	0.85	0.34	150.0 %	0.63	34.9 %	1.20	1.22	(1.6)%
ROE (%)	15.4 %	6.3 %	9.1 %	12.0 %	3.4 %	10.8 %	11.7 %	(0.9)% ppts
Average exchange	30.55	30.40	0.5 %	28.73	6.3 %	30.55	28.73	6.3 %

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2023Q2 Summary

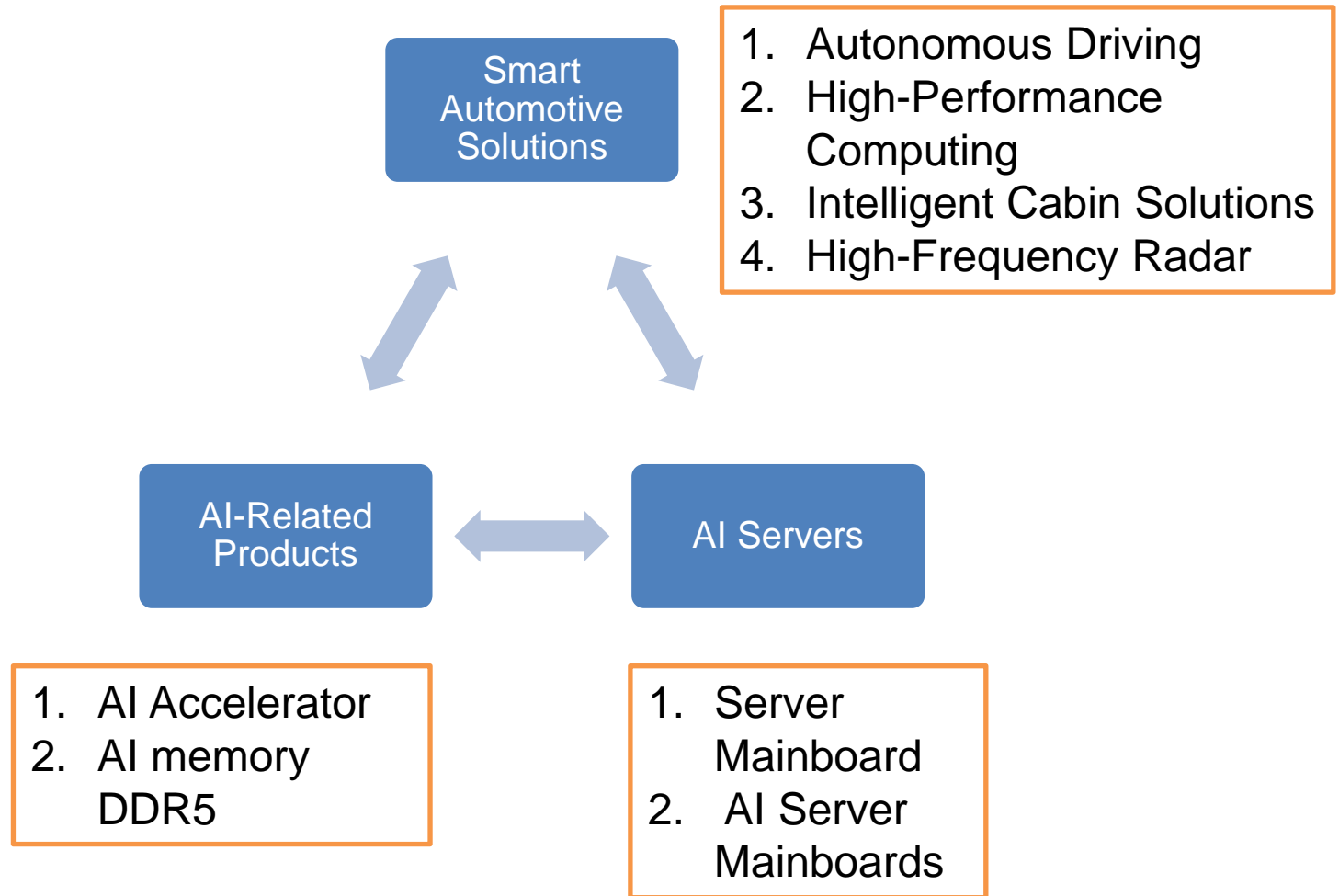
- When looking at the breakdown by product category, there haven't been significant changes. Automotive boards saw an increase of 1% from the previous quarter, reaching 70%; display panels experienced a slight rebound, reaching 14%; storage devices and networking/server products showed slight decreases, at 6% and 4% respectively.
- From a technological standpoint, HDI's share remained at 22%.
- In the second quarter, revenue decreased slightly by 0.8% compared to the previous quarter, but increased by 1.8% compared to the same period last year. Gross profit margin was 20.0%, a slight increase of 0.2 percentage points, primarily due to product portfolio optimization and improved production efficiency at Yellowstone Plant Phase II. Operating expenses were 513 million yuan, accounting for 14% of the total, a slight increase from the previous quarter, mainly due to employee contract termination costs at the Kunshan plant. Operating net profit margin was 5.9%, a decrease of 0.2 percentage points from the previous quarter.
- Non-operating income and expenses totaled 106 million yuan, including net foreign exchange gains of 140 million yuan, interest expenses of approximately 102 million yuan, and other income of 77 million yuan. Other income mainly comprised government subsidies and customer cancellation fees.
- Net profit after tax was 236 million yuan, with a net margin of 6.5% and earnings per share of \$0.85."

Outlook for Dynamic

Short-Term Outlook

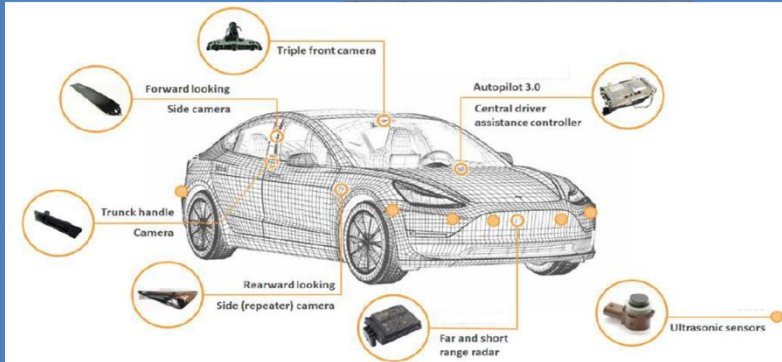
- For the second half of the year, the revenue target is expected to remain steady or experience a slight increase compared to the first half. Gross profit margin can continue to improve through ongoing optimization of the product portfolio and the introduction of high-end new products into production. Operating expense ratios will gradually improve on the existing foundation, and quarterly interest expenses will be similar to the second quarter.
- To address the demand for high-end HDI new products from customers in the fourth quarter, we are adopting a bottleneck-relieving approach by increasing the production capacity of HDI at the Yellowstone Plant Phase II to meet customer needs.
- This year, we anticipate revenue to remain stable or experience a slight decline, while profitability is expected to grow.
- The Thailand plant is expected to commence production in the fourth quarter of 2024. The factory is designed as a highly intelligent and automated smart factory, focusing on advanced multilayer boards and HDI technologies, including high-frequency and high-speed materials. The products will be used in servers, networking, storage devices, and automotive applications. Funding will come from internal resources and bank loans. The approved capital expenditures by the board include up to 510 million Thai Baht (approximately 454 million New Taiwan Dollars) for land and up to 1.5 billion Thai Baht (approximately 1.377 billion New Taiwan Dollars) for the plant construction.
- In 2024, the recovery of the overall economic situation might still have an impact. However, our technological capabilities and advantages in high-end intelligent automotive and AI-related products will gradually mature, leading us to have an optimistic outlook for revenue, gross profit margin, and operating net profit margin.

Future Outlook



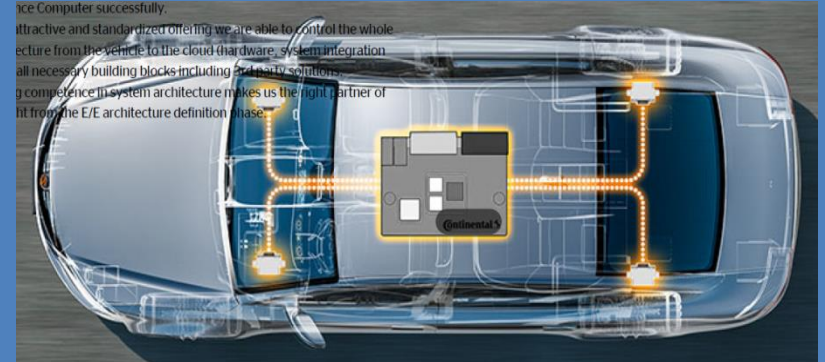
Smart Automotive Solutions (2020~)

Autonomous Driving



12-16L HDI, anylayer

High-Performance Computing



12L HDI, anylayer

Intelligent Cabin Solutions



10L HDI, 2 steps

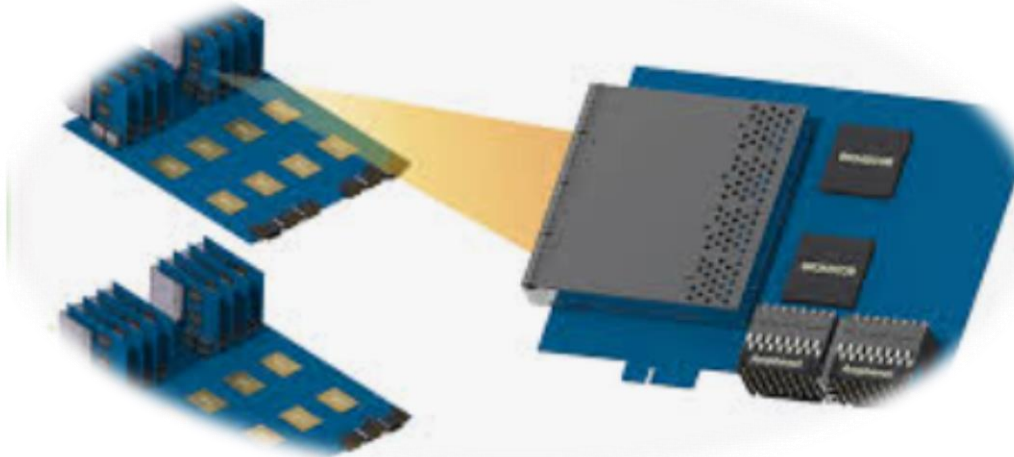
High-Frequency Radar /4D Millimeter-Wave Radar



10L HDI, 3 steps

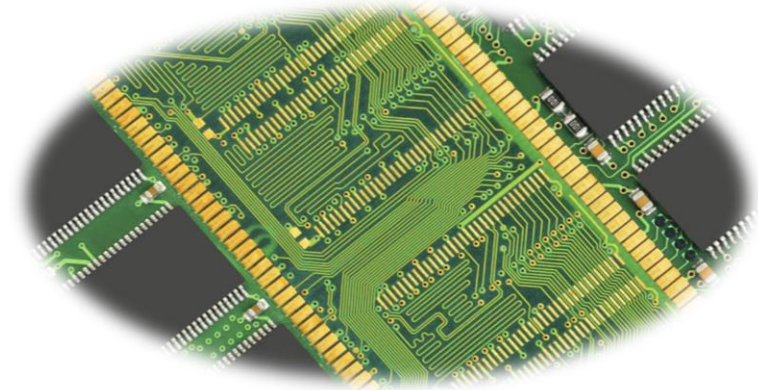
AI-Related Products (2023~)

AI Accelerator



12L HDI, anylayer

AI memory DDR5



12L HDI, 2 steps

AI Servers (2023~)

Dynamic Opportunities

Market Perspective

The AI server market is in the early stages of explosive growth, making it easier to penetrate the user-side supply chain.

The technology and process requirements for AI servers are in the early stages of research and development. Our technological capabilities are not significantly different from those of leading industry peers.

User Perspective

We are already within the supply chain of major AI server customers in mainland China. Once the Thailand plant begins production, we can aim to capture customers from American brands and large-scale cloud data centers.

Factory Planning

Our Thailand plant's technological capabilities align perfectly with the product requirements of our customers.

Technical Reserves

The key technological requirement for AI servers includes advanced multilayer HDI, and we possess extensive experience and technical capabilities in multilayer HDI processes to meet our customers' demands.

Dynamic Actions in ESG

Huangshi was awarded the highest certification UL2799 Platinum Zero Waste to Landfill Operation

In response to the global net zero and sustainability, Dynamic continues to act practically in waste disposal, energy conservation and waste reduction management. In addition to successfully completing the guidance and review of 28 waste disposal companies with all the results complying with the regulations, and has detailed records and verification materials for each waste disposal process. The final certification is that all waste in the factory is zero landfill, and 5% of waste is transformed into energy recovery, achieving the highest level of certification – platinum.

Dynamic has been successful in promoting waste reduction and implementing waste classification and recycling. It also promotes inline recycling of chemicals. Dynamic has completed the recycling and reuse of tin stripping solution, recycling of gold resin, recycling of activated palladium in electroplating line, recovery of electrolytic gold from aging solution of immersion gold, electrolytic recovery of etching waste liquid, etc., the recovered metal can be returned to the production line for reuse after being remanufactured by the manufacturer, and the residual chemical liquid can also be recycled after adjustment.



ENVIRONMENTAL CLAIM VALIDATION SUMMARY

Dynamic Electronics Co., Ltd.

Dynamic Electronics Co., Ltd.

Report Number:

306384-4160

Validation Period:

20 Jun 2023 - 20 Jun 2024

Claim:

Dynamic Electronics Co., Ltd. has achieved Zero Waste to Landfill Platinum Operations, 100% diversion, with 5% Thermal Processing with Energy Recovery.

Method:

Environmental Claim Validation Procedure (ECVP) for Zero Waste Classifications, UL 2799A First Edition, Dated July 20, 2018

Facility:

No.88, Da Qi Avenue, Wang Ren Town, Economic Technical Development Zone, Huangshi, Hubei 435000, China

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Q&A